

**CEDAR SPRINGS
PUBLIC SCHOOLS**
Kent and Newaygo Counties, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2008

CEDAR SPRINGS PUBLIC SCHOOLS
Table of Contents

For the year ended June 30, 2008

Financial Section

<i>Independent Auditor's Report</i>	<i>1</i>
<i>Management's Discussion and Analysis</i>	<i>3</i>
<i>Basic Financial Statements</i>	<i>11</i>
District-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund	18
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	19
Statement of Changes in Fiduciary Net Assets	20
Notes to Basic Financial Statements	21

Supplemental Information

Combining and Individual Fund Statements and Schedules:

General Fund	41
Comparative Balance Sheet	42
Comparative Schedule of Revenues	43
Comparative Schedule of Expenditures	44

CEDAR SPRINGS PUBLIC SCHOOLS
Table of Contents (Continued)

For the year ended June 30, 2008

Nonmajor Governmental Funds	49
Combining Balance Sheet.....	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	52
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Food Service Special Revenue Fund.....	54
Athletics Special Revenue Fund.....	55
Enrichment Child Care Special Revenue Fund	56
Enrichment Preschool Special Revenue Fund	57
Special Revenue Funds.....	58
Food Service Special Revenue Fund:	
Comparative Balance Sheet.....	59
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	60
Athletics Special Revenue Fund:	
Comparative Balance Sheet.....	61
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	62
Enrichment Child Care Special Revenue Fund:	
Comparative Balance Sheet.....	63
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	64
Enrichment Preschool Special Revenue Fund:	
Comparative Balance Sheet.....	65
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	66
School Store Special Revenue Fund:	
Comparative Balance Sheet.....	67
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	68
Debt Service Funds.....	69
Combining Balance Sheet.....	70
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	72
Capital Projects Funds	74
2003 Construction Capital Projects Fund:	
Comparative Balance Sheet.....	75
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances	76

CEDAR SPRINGS PUBLIC SCHOOLS
Table of Contents (Continued)

For the year ended June 30, 2008

Agency Fund.....	77
Student Activities Agency Fund:	
Statement of Changes in Assets and Liabilities	78
Other Information:	
Summary of 2007 Taxes Levied and Collected.....	80

Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

November 3, 2008

The Board of Education
Cedar Springs Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cedar Springs Public Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Cedar Springs Public Schools as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2008 on our consideration of Cedar Springs Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Cedar Springs Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

As management of the Cedar Springs Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-Wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 10,411,323	\$ 8,904,437
Capital assets, net book value	<u>54,163,576</u>	<u>55,538,252</u>
Total Assets	<u>64,574,899</u>	<u>64,442,689</u>
Liabilities		
Current liabilities	8,338,238	7,033,549
Long-term liabilities	<u>58,122,184</u>	<u>59,191,109</u>
Total Liabilities	<u>66,460,422</u>	<u>66,224,658</u>
Net Assets		
Invested in capital assets, net of related debt	(4,298,102)	(3,960,476)
Restricted	356,478	(135,122)
Unrestricted	<u>2,056,101</u>	<u>2,313,629</u>
Total Net Assets	<u>\$ (1,885,523)</u>	<u>\$ (1,781,969)</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results:

	2008	2007
Program Revenues		
Charges for services	\$ 1,187,671	\$ 1,149,547
Operating grants	5,151,651	5,168,623
General Revenues		
Property taxes	5,781,518	5,515,537
State school aid, unrestricted	23,114,802	22,962,730
Interest and investment earnings	145,983	57,313
Gain (loss) on sale of capital assets	12,487	(1,349)
Other	144,633	108,353
Total Revenues	35,538,745	34,960,754
Expenses		
Instruction	19,086,765	19,312,505
Supporting services	12,213,695	12,203,200
Community services	270,940	300,340
Food service	1,245,929	1,210,630
Athletics	570,103	703,567
Other	75,159	—
Interest on long-term debt	2,179,708	2,783,729
Total Expenses	35,642,299	36,513,971
Decrease in net assets	(103,554)	(1,533,217)
Net Assets - Beginning of Year	(1,781,969)	(228,752)
Net Assets - End of Year	\$ (1,885,523)	\$ (1,781,969)

Financial Analysis of the District as a Whole

The District's total revenues increased 1.6% to \$35.5 million. Unrestricted state aid accounted for 65% of the total revenue. Property taxes accounted for 16% of the total revenue. The remaining 19% of revenues came from state and federal grants for specific programs and other local sources.

The \$577,991 increase in revenue is largely attributable to gradual increases in property taxes, interest and investment earnings and unrestricted State Aid.

The total cost of all programs and services decreased 2.4% (\$871,672) to \$35.6 million. Other operational areas experienced reductions in expenditures so the District could maintain its focus on instruction.

In total, the District's expenses exceeded revenues by \$103,554.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Cedar Springs Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is our primary operating fund. The General Fund had total revenues of \$30,138,177, total expenditures of \$29,169,961, and total other financing uses of \$385,673. The District's General Fund ended the fiscal year with a fund balance of \$3,212,544. The ending fund balance is up \$582,543 from the June 30, 2007 fund balance of \$2,630,001. The June 30, 2008 Fund balance includes \$40,000 designated for band uniforms.

2003 Construction Fund

The District's ongoing \$38 million improvement project is funded by bonds issued in February, 2003 and accounted for in the 2003 Construction Fund. Current year investment earnings totaled \$10,656 and ongoing construction/equipment expenditures totaled \$86,744, leaving a remaining fund balance at June 30, 2008 of \$118,713, with which to complete the project.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Nonmajor Funds

Special Revenue Funds

The District operates five Special Revenue Funds. The funds are for food service, athletics, child care, preschool and a school store. Total revenues and other financing sources were \$2,013,047, with total expenditures of \$1,988,410. The ending fund balances were \$60,720. Of the ending fund balances, (\$40,765) is attributable to the Food Service Fund, \$78,957 to Athletics, (\$16,121) to Enrichment Childcare, \$9,651 to Enrichment Preschool, and \$28,998 to the School Store.

Debt Service Funds

The District operates five Debt Service Funds (1998, 2003, 2006, 2007 and 2008). Total revenues were \$3,745,290, total expenditures were \$4,029,333, and net other financing sources and uses were \$740,257 (\$19,040,000 in refunding bonds issued, \$464,760 in bond premium, \$491,122 in State School Bond loan proceeds and refunding bond escrow deposits of \$19,255,625). The ending fund balances in the Debt Service Funds total \$683,754.

Fiduciary Funds

The Student Activity Fund and the Scholarship Funds are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2008 totaled \$208,379.

General Fund Budgetary Highlights

The District reversed a two year trend of expenditures exceeding revenues. This positive net change in fund balance strengthens our financial health by reducing borrowing requirements and providing reserves to help mitigate State and Federal funding fluctuations.

Over the course of the year, the District revised the annual operating budget three times to comply with Michigan Department of Education guidelines. These budget amendments fall into the following categories:

- Revisions made in December to account for changes in programming, staffing adjustments, and student enrollment updates.
- Revisions made in March to account for changing revenues and expenditures.
- Final changes made in June for budgetary adjustments to best estimates of actual revenues and expenditures.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$379,322 the audited numbers for the year show revenue exceeding expenditures by \$582,543, primarily due to a reduction in actual expenditures.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had invested \$71.2 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. This amount represents a net increase of \$150,000 from last year. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$1,808,909.

The District's fiscal year 2008-2009 capital budget projects spending another \$200,000 for capital projects, principally in the following areas:

- To complete improvements to Cedar Springs Middle School, Redhawk Elementary, Cedar View Elementary, Beach Elementary and New Beginnings High School.

At June 30, 2008, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$54.1 million. This represents a decrease of approximately \$1.4 million from the previous year-end. The net book value of District capital assets is detailed in the following schedule:

Land	\$ 893,561
Construction in progress	58,401
Land improvements	277,626
Buildings and additions	51,597,985
Furniture and equipment	418,814
Vehicles	<u>917,189</u>
Net Capital Assets	<u><u>\$ 54,163,576</u></u>

Long-Term Debt

At year end, the District had \$61.1 million in general obligation bonds and other long-term debt outstanding – a decrease of \$50,000 from last year.

- The District continued to pay down its debt, retiring \$1.790 million of outstanding bonds and installment purchase agreements and also refunded \$18,940,000 of outstanding 1998 bonds, resulting in a present value savings to the District of \$1,484,454.
- The District has obtained a total of \$9.2 million from the Michigan School Bond Loan Fund for payment of annual maturities of its general obligation bonds as of June 30, 2008. The District borrowed \$874,000 during the fiscal year to meet bond obligations which is included in the \$9.2 million. The District is not required to make payments to the Michigan School Bond fund until the taxable value of the District increases to a point where it is able to make the debt payments and has funds available.

The District's bond rating for General Obligation, Unlimited Tax debt remains "Aa3". The District's rating for General Obligation, Limited Tax debt remains "A1". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's other obligations include early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in the Notes to the Financial Statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District reversed a trend of diminishing fund balance during the 2007-2008 fiscal year.
- The District experienced an enrollment decrease for the Fall 2008 count. Enrollment trends will need to be carefully monitored and purposefully responded to.
- The District has two bargaining units. The certified staff has a contract in place through August 2011. The support personnel staff has a contract in place through September 2009.
- The State and National economies continue to experience significant volatility. Ongoing revenue and budgetary struggles at the State level may negatively impact local districts through mid year reductions and uncertain funding moving forward.
- The District is continually projecting multiple year budget scenarios and dedicating significant energies to long term fiscal planning.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Administrative Services, Cedar Springs Public Schools, 204 E. Muskegon, Cedar Springs, 49319. Contact by e-mail David.Cairy@csredhawks.org.

BASIC FINANCIAL STATEMENTS

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,022
Cash equivalents, deposits and investments (Note B)	3,843,126
Taxes receivable (Note C)	35,792
Due from other governmental units (Note C)	5,027,097
Inventory (Note A)	36,361
Prepaid expenses	84,698
Unamortized bond issue costs	1,383,227
Total Current Assets	<u>10,411,323</u>
Noncurrent Assets	
Capital assets (Note E)	71,245,200
Less accumulated depreciation	(17,081,624)
Total Noncurrent Assets	<u>54,163,576</u>
Total Assets	<u>64,574,899</u>
Liabilities	
Current Liabilities	
Accounts payable	287,175
State aid anticipation note payable (Note F)	2,500,000
Due to other governmental units	622,333
Payroll withholdings payable	25,169
Accrued interest payable	538,404
Salaries payable	1,152,548
Deferred revenue	247,280
Current portion of long term obligations	2,965,329
Total Current Liabilities	<u>8,338,238</u>
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	49,945,000
Durant non-plaintiff bonds payable	352,659
State school bond loan payable	9,243,979
Installment purchase agreements payable	303,267
Early retirement incentive	803,999
Accumulated sick leave	438,609
Current portion of long term obligations	(2,965,329)
Total Noncurrent Liabilities	<u>58,122,184</u>
Total Liabilities	<u>66,460,422</u>
Net Assets	
Invested in capital assets, net of related debt	(4,298,102)
Restricted for:	
Debt service	237,765
Capital projects	118,713
Unrestricted	2,056,101
Total Net Assets	<u><u>\$ (1,885,523)</u></u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities				
Instruction	\$ 19,086,765	\$ 15,553	\$ 3,697,800	\$(15,373,412)
Supporting services	12,213,695	191,276	805,930	(11,216,489)
Community services	270,940	278,456	1,366	8,882
Food service	1,245,929	528,943	646,555	(70,431)
Athletics	570,103	173,443	-	(396,660)
Other	75,159	-	-	(75,159)
Interest on long-term debt	2,179,708	-	-	(2,179,708)
Total Governmental Activities	\$ 35,642,299	\$ 1,187,671	\$ 5,151,651	(29,302,977)
General Revenues				
Taxes:				
Property taxes, levied for general operations				2,086,939
Property taxes, levied for debt service				3,694,579
State school aid, unrestricted				23,114,802
Interest and investment earnings				145,983
Gain on sale of capital assets				12,487
Other				144,633
Total General Revenues				29,199,423
Change in Net Assets				(103,554)
Net Assets - Beginning of Year				(1,781,969)
Net Assets - End of Year				\$ (1,885,523)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	General	2003 Construction	Nonmajor	Total
Assets				
Cash	\$ 860	\$ -	\$ 162	\$ 1,022
Cash equivalents, deposits and investments (Note B)	2,914,316	118,713	810,097	3,843,126
Taxes receivable (Note C)	25,445	-	10,347	35,792
Due from other funds (Note D)	28,375	-	-	28,375
Due from other governmental units (Note C)	5,015,096	-	12,001	5,027,097
Inventory (Note A)	25,592	-	10,769	36,361
Prepaid expenditures	84,698	-	-	84,698
Total Assets	<u>\$8,094,382</u>	<u>\$ 118,713</u>	<u>\$ 843,376</u>	<u>\$9,056,471</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 237,647	\$ -	\$ 48,600	\$ 286,247
State aid anticipation note payable (Note F)	2,500,000	-	-	2,500,000
Due to other funds (Note D)	927	-	28,375	29,302
Due to other governmental units	621,187	-	1,146	622,333
Payroll withholdings payable	25,169	-	-	25,169
Accrued interest payable	82,069	-	-	82,069
Salaries payable	1,145,306	-	7,242	1,152,548
Deferred revenue	269,533	-	13,539	283,072
Total Liabilities	<u>4,881,838</u>	<u>-</u>	<u>98,902</u>	<u>4,980,740</u>
Fund Balances				
Reserved for:				
Debt service	-	-	683,754	683,754
Capital outlay	-	118,713	-	118,713
Unreserved:				
Designated for subsequent years expenditures	40,000	-	-	40,000
Undesignated, reported in:				
General fund	3,172,544	-	-	3,172,544
Special revenue funds	-	-	60,720	60,720
Total Fund Balances	<u>3,212,544</u>	<u>118,713</u>	<u>744,474</u>	<u>4,075,731</u>
Total Liabilities and Fund Balances	<u>\$8,094,382</u>	<u>\$ 118,713</u>	<u>\$ 843,376</u>	<u>\$9,056,471</u>

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances			\$ 4,075,731
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$71,245,200 and accumulated depreciation is \$17,081,624.			
			54,163,576
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			1,383,227
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds		\$(49,945,000)	
Durant non-plaintiff bonds		(352,659)	
State school bond loan		(9,243,979)	
Installment purchase agreements		(303,267)	
Early retirement incentive		(803,999)	
Accumulated sick leave		(438,609)	
			(61,087,513)
Accrued interest is not included as a liability in governmental funds.			
			(456,336)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			35,792
Total net assets - governmental activities			\$ (1,885,523)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	2003 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 2,519,645	\$ 10,656	\$ 4,742,816	\$ 7,273,117
State sources	24,460,802	-	81,861	24,542,663
Federal sources	1,180,323	-	566,060	1,746,383
Interdistrict sources	1,977,407	-	-	1,977,407
Total Revenues	30,138,177	10,656	5,390,737	35,539,570
Expenditures				
Current:				
Instruction	17,625,480	-	-	17,625,480
Supporting services	11,276,650	-	2,516	11,279,166
Community services	995	-	269,945	270,940
Food service	-	-	1,225,783	1,225,783
Athletics	-	-	490,166	490,166
Capital outlay	149,036	86,744	-	235,780
Debt service:				
Principal repayment	101,090	-	1,885,000	1,986,090
Interest and fiscal charges	11,805	-	1,895,198	1,907,003
Bond issuance costs	-	-	182,495	182,495
Underwriter's discount	-	-	66,640	66,640
Interdistrict	4,905	-	-	4,905
Total Expenditures	29,169,961	86,744	6,017,743	35,274,448
Excess (Deficiency) of Revenues Over Expenditures	968,216	(76,088)	(627,006)	265,122
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	19,040,000	19,040,000
Bond premium	-	-	464,760	464,760
Loan proceeds	-	-	491,122	491,122
Transfers in	-	-	367,600	367,600
Payments to escrow agent	-	-	(19,255,625)	(19,255,625)
Other transactions	(18,073)	-	-	(18,073)
Transfers out	(367,600)	-	-	(367,600)
Total Other Financing Sources (Uses)	(385,673)	-	1,107,857	722,184
Net Change in Fund Balances	582,543	(76,088)	480,851	987,306
Fund Balances, Beginning of Year	2,630,001	194,801	263,623	3,088,425
Fund Balances, End of Year	\$3,212,544	\$ 118,713	\$ 744,474	\$4,075,731

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ 987,306

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 439,293	
Depreciation expense	<u>(1,808,909)</u>	(1,369,616)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead considered deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. 4,235

In the Statement of Activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (5,059)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (19,913,881)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 119,840

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:

Repayment of bonds	\$ 20,730,000	
Repayment of installment purchase agreement	<u>101,090</u>	20,831,090

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 110,054

In the Statement of Net Assets, severance pay, early retirement incentive, and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned (\$1,748,390) exceeded the amounts paid/used (\$880,867). (867,523)

Total changes in net assets - governmental activities \$ (103,554)

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 2,489,172	\$ 2,476,566	\$ 2,519,645	\$ 43,079
State sources	24,494,704	24,727,641	24,460,802	(266,839)
Federal sources	1,128,323	1,262,576	1,180,323	(82,253)
Interdistrict sources	1,758,272	1,906,524	1,977,407	70,883
Total Revenues	29,870,471	30,373,307	30,138,177	(235,130)
Expenditures				
Current:				
Instruction:				
Basic programs	13,508,210	13,462,397	13,567,817	(105,420)
Added needs	3,935,456	4,228,338	4,057,663	170,675
Adult/continuing education	23,000	-	-	-
Supporting services:				
Pupil services	623,774	733,881	1,540,098	(806,217)
Instructional staff services	2,190,136	2,103,531	800,142	1,303,389
General administrative services	538,334	569,142	636,209	(67,067)
School administrative services	2,085,495	2,096,879	1,747,226	349,653
Business services	866,536	783,565	676,992	106,573
Operation and maintenance services	2,611,210	2,464,380	2,410,212	54,168
Pupil transportation services	1,156,500	2,367,370	2,574,397	(207,027)
Central services	292,161	296,613	891,374	(594,761)
Other supporting services	-	18,937	-	18,937
Community services	-	-	995	(995)
Capital outlay	580,521	388,457	149,036	239,421
Debt service:				
Principal payment	-	101,090	101,090	-
Interest and fiscal charges	-	11,805	11,805	-
Interdistrict	1,089,715	-	4,905	(4,905)
Total Expenditures	29,501,048	29,626,385	29,169,961	456,424
Excess Of Revenues Over Expenditures	369,423	746,922	968,216	221,294
Other Financing Sources (Uses)				
Transfers out	(367,600)	(367,600)	(367,600)	-
Other	-	-	(18,073)	(18,073)
Total Other Financing Sources (Uses)	(367,600)	(367,600)	(385,673)	(18,073)
Net Change in Fund Balances	1,823	379,322	582,543	203,221
Fund Balances, July 1	2,630,001	2,630,001	2,630,001	-
Fund Balances, June 30	\$ 2,631,824	\$ 3,009,323	\$ 3,212,544	\$ 203,221

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 47,652	\$ 159,800
Due from other funds (Note D)	-	927
Total Assets	<u>47,652</u>	<u>\$ 160,727</u>
Liabilities		
Due to student groups	-	<u>\$ 160,727</u>
Net Assets		
Held in trust for:		
Individuals and organizations	<u>\$ 47,652</u>	

See accompanying notes to basic financial statements.

CEDAR SPRINGS PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2008

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 1,542
Donations	3,820
	<hr/>
Total Additions	5,362
	<hr/>
Deductions	
Endowment activities - scholarships	2,000
	<hr/>
Change In Net Assets	3,362
	<hr/>
Net Assets, Beginning of Year	44,290
	<hr/>
Net Assets, End of Year	\$ 47,652
	<hr/> <hr/>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

Cedar Springs Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,450 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, preschool programs, athletic activities, special education, vocational education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Cedar Springs Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2003 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Athletic, Enrichment Child Care and Preschool Funds, and the School Store Fund.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Cedar Springs Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Cedar Springs Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2008 has been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$803,999 and \$438,609, respectively.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the Surplus Funds Investment Pool Act.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 3,843,126
Fiduciary Funds:	
Trust and Agency Funds	<u>207,452</u>
	<u>\$ 4,050,578</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank
2. Fifth Third Bank
3. Chase J.P. Morgan Bank, N.A.

Cash equivalents and deposits consist of public funds checking and savings accounts and certificates of deposit.

June 30, 2008 balances are detailed as follows:

Cash equivalents	\$ 3,918,411
Deposits	<u>33,013</u>
	<u>\$ 3,951,424</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$3,947,348 and the bank balance was \$4,572,877. Of the bank balance, \$840,255 was covered by federal depository insurance and \$3,732,622 was uninsured.

Investments

As of June 30, 2008 the District had the following investments:

	<u>Fair Value</u>
Investment Pool Account:	
Bank of New York	<u>\$ 99,154</u>

The Bank of New York Investment Pool is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the State School Code. The Pool is not rated nor regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2008.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by State statutes. At June 30, 2008, the District had no investments that were subject to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

In accordance with its investment policy, the District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy does not limit the amount that may be invested in any one issuer. Excluding U.S. Government guaranteed investments, and mutual fund and pooled investments, no single investment exceeded 5% of total investments at June 30, 2008

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Cedar Springs Public School District, and paid to the State of Michigan, totaled \$3,112,850.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2007 and September 2007. The 2007-08 "Foundation Allowance" for Cedar Springs Public Schools was \$7,204 for 3,460 "Full Time Equivalent" students, generating \$23,841,062 in state aid payments to the District of which \$4,318,783 was paid to the District in July and August, 2008 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the district.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Property taxes for the District are levied July 1 (the tax lien date) by the City of Cedar Springs and the Townships of Algoma, Courtland, Nelson, Oakfield, Solon, Spencer and Ensley. The taxes are then collected by each governmental unit and remitted to the District, due 75 days after the levy date. The Counties of Kent and Newaygo, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General Fund	Debt Service Funds	Total
2007	\$ 11,485	\$ 4,707	\$ 16,192
2006	10,997	4,264	15,261
2005	2,963	1,376	4,339
	<u>\$ 25,445</u>	<u>\$ 10,347</u>	<u>\$ 35,792</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Cedar Springs Public Schools' electors (May 1, 2005) approved an 18 mill non-homestead property tax operating millage extension. Only 17.9874 mills were levied for 2007 due to reductions by the Headlee Amendment.

The District levied 7.0 mills in 2007 for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases are limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note D – Due From/To Other Funds/Interfund Transfers

Amounts due from (to) other funds representing interfund receivables and payables from expenditures not yet reimbursed at June 30, 2008, are detailed as follows:

	Due From	Due To
General Fund		
Special Revenue Funds:		
Food Service Fund	\$ 10,726	\$ —
Athletics Fund	922	—
Child Care Fund	16,123	—
Preschool Fund	604	—
Fiduciary Fund:		
Student Activities Fund	—	927
	<hr/>	<hr/>
Total General Fund	28,375	927
Special Revenue Funds		
Food Service Fund:		
General Fund	—	10,726
Athletics Fund:		
General Fund	—	922
Enrichment Childcare Fund:		
General Fund	—	16,123
Enrichment Preschool Fund:		
General Fund	—	604
	<hr/>	<hr/>
Total Special Revenue Funds	—	28,375
Fiduciary Fund		
Student Activities Fund:		
General Fund	927	—
	<hr/>	<hr/>
Total All Funds	<hr/> <hr/> \$ 29,302	<hr/> <hr/> \$ 29,302

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Interfund transfers during the year ended June 30, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 367,600
Special Revenue Fund		
Athletics Fund:		
General Fund	367,600	—
Total All Funds	<u>\$ 367,600</u>	<u>\$ 367,600</u>

The General Fund transfer to the Athletics Fund was made to pay for the General Fund's share of support for the athletic program for the fiscal year.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balances July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2008</u>
Capital assets not depreciated:				
Land	\$ 893,561	\$ —	\$ —	\$ 893,561
Construction in progress	—	58,401	—	58,401
Capital assets being depreciated:				
Land improvements	935,453	6,500	—	941,953
Buildings and additions	65,879,092	126,280	—	66,005,372
Furniture and equipment	1,236,986	39,399	—	1,276,385
Vehicles	2,151,032	208,713	290,217	2,069,528
Totals at historical cost	<u>71,096,124</u>	<u>\$ 439,293</u>	<u>\$ 290,217</u>	<u>71,245,200</u>
Less accumulated depreciation for:				
Land improvements	\$ 627,880	\$ 36,447	\$ —	\$ 664,327
Buildings and additions	12,937,606	1,469,781	—	14,407,387
Furniture and equipment	726,665	130,906	—	857,571
Vehicles	1,265,721	171,775	285,157	1,152,339
Total accumulated depreciation	<u>15,557,872</u>	<u>\$ 1,808,909</u>	<u>\$ 285,157</u>	<u>17,081,624</u>
Net Capital Assets	<u>\$ 55,538,252</u>			<u>\$ 54,163,576</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,386,457
Supporting services	322,369
Food service	20,146
Athletics	79,937
	<u>\$ 1,808,909</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note F – Short Term Debt

The September 18, 2006 state aid anticipation loan of \$2,000,000 was repaid in full on August 20, 2007. On August 20, 2007, the District borrowed \$2,500,000 at 3.80% due in full on August 21, 2008. Interest expense on the loans totaled \$93,332 for the fiscal year.

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	General Obligation Bonds	State School Bond Loan	Installment Purchase Agreements Payable	Severance Pay/Early Retirement Incentive/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 679,678	\$ —	\$ —	\$ —	\$ 679,678
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	352,659	—	—	—	352,659
General Fund	—	—	303,267	1,242,608	1,545,875
Debt Service Funds	49,265,322	9,243,979	—	—	58,509,301
Total Amounts Available and To Be Provided	\$ 50,297,659	\$ 9,243,979	\$ 303,267	\$ 1,242,608	\$ 61,087,513

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
February 24, 1998	\$ 18,940,000	\$ —	\$ 18,940,000	\$ —
February 12, 2003	17,710,000	—	1,790,000	15,920,000
March 21, 2006	7,485,000	—	—	7,485,000
March 20, 2007	7,500,000	—	—	7,500,000
March 13, 2008	—	19,040,000	—	19,040,000
Durant non-plaintiff bonds:				
November 13, 1998	352,659	—	—	352,659
State school bond loan	8,370,098	873,881	—	9,243,979
Installment purchase agreements	404,357	—	101,090	303,267
Early retirement incentive	—	1,473,481	669,482	803,999
Accumulated sick leave	375,085	274,909	211,385	438,609
	\$ 61,137,199	\$ 21,662,271	\$ 21,711,957	\$ 61,087,513

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Long-term bonds and installment purchase agreements at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$37,905M 2003 Building and Site and Refunding: Annual maturities of \$740M to \$1,790M	May 1, 2029	3.00 – 5.25	\$ 15,920,000	\$ 900,000
\$7,485M 2006 Refunding: Annual maturities of \$20M to \$1,395M	May 1, 2032	4.00 – 4.375	7,485,000	—
\$7,500M 2007 Refunding: Annual maturities of \$40M to \$1,395M	May 1, 2029	4.00 – 4.13	7,500,000	—
\$19,040M 2008 Refunding: Annual maturities of \$1,050M to \$1,320M	May 1, 2024	3.00 – 4.50	19,040,000	1,050,000
Durant Non-plaintiff Bonds				
\$597M 1998 School Improvement: Annual maturities of \$33M to \$210M	May 15, 2013	4.761353	352,659	33,239
Installment Purchase Agreements Payable				
\$600,537 2004 School Buses: Annual maturities of \$101,090	Sep 15, 2010	2.91	303,267	101,090
			<u>\$ 50,600,926</u>	<u>\$ 2,084,329</u>

The District is required to obtain loans from the Michigan School Bond Loan fund for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District borrowed \$491,122 from the Fund and \$382,759 of accrued interest was added to the District's liability to the Fund. At June 30, 2008, the District owed the Fund a total of \$9,243,979.

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 2,084,329	\$ 2,199,527	\$ 4,283,856
2010	2,250,910	2,026,605	4,277,515
2011	2,327,566	1,943,450	4,271,016
2012	2,323,214	1,849,150	4,172,364
2013	2,519,907	1,841,526	4,361,433

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Year Ended June 30	Principal	Interest	Total
2014	\$ 2,390,000	\$ 1,684,412	\$ 4,074,412
2015	2,475,000	1,598,301	4,073,301
2016	2,555,000	1,493,162	4,048,162
2017	2,595,000	1,368,100	3,963,100
2018	2,625,000	1,241,488	3,866,488
2019	2,630,000	1,121,313	3,751,313
2020	2,595,000	1,016,114	3,611,114
2021	2,565,000	912,313	3,477,313
2022	2,540,000	799,575	3,339,575
2023	2,520,000	687,839	3,207,839
2024	2,500,000	576,888	3,076,888
2025	1,420,000	465,388	1,885,388
2026	1,410,000	408,526	1,818,526
2027	1,400,000	350,677	1,750,677
2028	1,395,000	292,897	1,687,897
2029	1,385,000	235,316	1,620,316
2030	1,375,000	177,784	1,552,784
2031	1,365,000	118,658	1,483,658
2032	1,355,000	59,282	1,414,282
	<u>\$ 50,600,926</u>	<u>\$ 24,468,291</u>	<u>\$ 75,069,217</u>

On March 21, 2006, the District issued \$7,485,000 in general obligation bonds to advance refund \$7,015,000 of outstanding 2003 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2013). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$8,829,407 on the defeased debt at June 30, 2008 are detailed in the following schedule:

	Cost	Market Value	Par Value
U.S. Government Securities	<u>\$6,744,817</u>	<u>\$7,813,269</u>	<u>\$8,452,418</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

On March 20, 2007, the District issued \$7,500,000 in general obligation bonds to advance refund \$7,040,000 of outstanding 2003 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2013). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$8,814,156 on the defeased debt at June 30, 2008 are detailed in the following schedule:

	<u>Cost</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. Government Securities	\$7,321,565	\$7,347,096	\$7,160,363

On March 17, 2008, the District issued \$19,040,000 in general obligation bonds to advance refund \$18,845,000 of outstanding 1998 general obligation bonds with an average interest rate of 4.973%. This advance refunding was undertaken to reduce total debt service payments over 14 years by \$1,368,434. The average interest rate of the refunding bond issue was 3.98547% resulting in a net present value savings of \$1,484,454. The net proceeds of \$19,255,625 after bond premium of \$464,760, underwriter's discount of \$66,640 and bond issuance costs of \$182,495 were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement, these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Schedule to be May 1, 2008). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The refunded bonds have been paid in full as scheduled by the escrow agent at June 30, 2008.

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$15,351,712. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000.

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPSERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,588,075, \$2,977,970, and \$2,656,715, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools, instead using the aggregate actuarial cost method. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year that the State is reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

Note I – Risk Management and Benefits

The District maintains the Cedar Springs Public Schools Flexible Benefits Plan (the Plan). The Plan allows District employees to pay for certain medical expenses and dependent care expenses with before-tax income. In addition, depending on job classification, the Plan allows an employee the option of waiving health coverage and,

CEDAR SPRINGS PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

instead, receiving additional compensation or other tax-free benefits. Also, if an employee is required to pay all or part of the cost of health coverage, the Plan allows the employee to pay this cost with before-tax income.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2008:

	Budget	Actual	Unfavorable Variance
General Fund			
Instruction:			
Basic programs	\$ 13,462,397	\$ 13,567,817	\$ 105,420
Supporting services:			
Pupil services	733,881	1,540,098	806,217
General administrative services	569,142	636,209	67,067
Pupil transportation services	2,367,370	2,574,397	207,027
Central services	296,613	891,374	594,761
Community services	—	995	995
Interdistrict	—	4,905	4,905
Special Revenue Funds			
Food Service Fund	1,175,825	1,225,783	49,958
Enrichment Childcare Fund	153,035	168,702	15,667
Enrichment Preschool Fund	93,602	101,243	7,641

The following District funds had a deficit fund balance at June 30, 2008:

	Deficit
Special Revenue Funds	
Food Service Fund	\$ 40,765
Enrichment Childcare Fund	16,121

Note K – Commitments

On February 12, 2003, the District issued \$34,420,000 of general obligation building and site bonds whose proceeds are being used for land purchases, building renovations and additions and furniture and equipment purchases. At June 30, 2008, unspent balances committed to these construction projects totaled approximately \$120,000, which are expected to be fully expended by the year ended June 30, 2009.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 860	\$ 1,280
Cash equivalents, deposits and investments	2,914,316	2,137,378
Receivables:		
Taxes	25,445	22,630
Accounts	-	14,130
Due from other funds	28,375	130,001
Due from other governmental units	5,015,096	4,678,742
Inventory	25,592	20,006
Prepaid expenditures	84,698	403,482
Total Assets	<u><u>\$ 8,094,382</u></u>	<u><u>\$ 7,407,649</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 237,647	\$ 291,788
State aid anticipation note payable	2,500,000	2,000,000
Due to other funds	927	349,645
Due to other governmental units	621,187	666,060
Payroll withholdings payable	25,169	4,814
Accrued interest payable	82,069	64,587
Salaries payable	1,145,306	1,244,444
Deferred revenue	269,533	156,310
Total Liabilities	<u>4,881,838</u>	<u>4,777,648</u>
Fund Balances		
Unreserved:		
Designated for subsequent years expenditures	40,000	-
Undesignated	3,172,544	2,630,001
Total Fund Balances	<u>3,212,544</u>	<u>2,630,001</u>
Total Liabilities and Fund Balances	<u><u>\$ 8,094,382</u></u>	<u><u>\$ 7,407,649</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Current property taxes	\$ 2,060,439	\$ 2,006,177
Delinquent property taxes	492	3,231
Other property taxes	8,562	10,940
Interest on delinquent taxes	14,631	15,492
	<u>2,084,124</u>	<u>2,035,840</u>
Interest earnings:		
Interest on deposits and investments	84,952	28,625
Other local revenue:		
Adult/community education fees	1,750	895
Transportation fees	62,425	65,768
Universal service credit	35,171	32,283
Beverage consortium reimbursements	79,628	78,108
Indirect cost recovery	80,000	76,426
Rental of school facilities	19,756	29,902
Sale of assets	17,547	661
Insurance claims	13,369	19,585
Salary reimbursements	13,680	10,758
Miscellaneous	27,243	5,813
	<u>350,569</u>	<u>320,199</u>
Total local sources	2,519,645	2,384,664
State sources:		
State aid	23,651,872	23,628,448
Special education - transportation	727,946	830,770
Special education - itinerants	77,984	47,191
Other	3,000	-
	<u>24,460,802</u>	<u>24,506,409</u>
Total state sources		
Federal sources:		
Title I	378,387	359,161
Title IIA	118,846	138,406
Title IID	4,124	3,257
Title III	4,473	25,178
Title V	996	422
I.D.E.A. program	655,003	669,026
Medicaid - school based	6,691	4,636
Drug free schools	8,515	7,349
SPSR grant	3,288	-
	<u>1,180,323</u>	<u>1,207,435</u>
Total federal sources		
Interdistrict sources:		
Special education - county	1,673,637	1,595,398
Special education - tuition	10,454	65,777
Durant settlement reimbursements	14,519	13,149
Medicaid fee for service	263,351	162,735
Other	15,446	-
	<u>1,977,407</u>	<u>1,837,059</u>
Total interdistrict sources		
Total Revenues	<u><u>\$ 30,138,177</u></u>	<u><u>\$ 29,935,567</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,585,636	\$ 4,728,506
Employee benefits	2,861,011	2,296,068
Purchased services	96,548	110,761
Supplies	109,137	123,317
	<u>7,652,332</u>	<u>7,258,652</u>
Middle school:		
Salaries	1,359,521	1,421,271
Employee benefits	670,139	766,801
Purchased services	18,106	34,064
Supplies	51,579	44,141
Capital outlay	4,473	3,600
Miscellaneous	730	1,227
	<u>2,104,548</u>	<u>2,271,104</u>
High school:		
Salaries	2,356,532	2,612,634
Employee benefits	1,188,975	1,351,532
Purchased services	66,792	70,623
Supplies	90,036	187,816
Miscellaneous	6,084	4,211
Payments to other districts	25,268	-
	<u>3,733,687</u>	<u>4,226,816</u>
Preschool:		
Salaries	47,425	38,405
Employee benefits	25,961	15,226
Purchased services	1,756	2,167
Supplies	2,108	994
	<u>77,250</u>	<u>56,792</u>
Total basic programs	13,567,817	13,813,364
Added needs:		
Special education:		
Salaries	1,822,282	1,936,348
Employee benefits	839,806	889,111
Purchased services	47,551	37,683
Supplies	13,462	14,630
Miscellaneous	4,483	3,215
Payments to other districts	317,740	271,874
	<u>3,045,324</u>	<u>3,152,861</u>
Compensatory education:		
Salaries	358,762	394,540
Employee benefits	108,744	178,354
Purchased services	39,696	16,383
Supplies	42,527	19,468
	<u>549,729</u>	<u>608,745</u>

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Vocational education:		
Salaries	\$ 309,385	\$ 329,290
Employee benefits	141,356	148,293
Purchased services	3,612	9,795
Supplies	8,257	23,703
Capital outlay	-	3,589
Miscellaneous	-	145
	<u>462,610</u>	<u>514,815</u>
Total added needs	4,057,663	4,276,421
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	350,731	603,548
Employee benefits	156,619	280,277
Purchased services	1,132	158
Supplies	232	2,716
	<u>508,714</u>	<u>886,699</u>
Occupational therapist services:		
Purchased services	26	227
Payments to other districts	141,306	32,001
	<u>141,332</u>	<u>32,228</u>
Psychological services:		
Supplies	815	355
Payments to other districts	96,766	96,744
	<u>97,581</u>	<u>97,099</u>
Speech pathologists services:		
Salaries	38,839	24,825
Employee benefits	11,526	13,179
Purchased services	240	6,480
Supplies	484	550
Payments to other districts	279,460	244,670
	<u>330,549</u>	<u>289,704</u>
Social worker services:		
Supplies	1,225	266
Payments to other districts	332,351	235,595
	<u>333,576</u>	<u>235,861</u>
Teacher consultant services:		
Salaries	57,847	65,239
Employee benefits	26,174	29,631
Purchased services	2,267	3,980
	<u>86,288</u>	<u>98,850</u>
Other pupil support services:		
Salaries	30,889	13,534
Employee benefits	6,987	4,067
Purchased services	4,182	1,050
Payments to other districts	-	108,676
	<u>42,058</u>	<u>127,327</u>
Total pupil services	1,540,098	1,767,768

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Instructional staff services:		
Improvement of instruction:		
Salaries	\$ 291,409	\$ 428,934
Employee benefits	136,007	203,970
Purchased services	79,876	74,509
Supplies	43,185	97,409
Miscellaneous	16,164	9,879
	<u>566,641</u>	<u>814,701</u>
Library:		
Salaries	107,187	115,814
Employee benefits	31,483	55,902
Purchased services	93	1,052
Supplies	36,085	34,483
	<u>174,848</u>	<u>207,251</u>
Supervision and direction of instruction:		
Salaries	35,859	205,389
Employee benefits	16,417	98,732
Purchased services	4,030	6,626
Supplies	1,912	1,724
Capital outlay	99	2,724
Miscellaneous	336	-
	<u>58,653</u>	<u>315,195</u>
Total instructional staff services	<u>800,142</u>	<u>1,337,147</u>
General administrative services:		
Board of education:		
Employee benefits	98,683	34,800
Purchased services	129,176	103,701
Supplies	26	581
Miscellaneous	44,030	52,011
	<u>271,915</u>	<u>191,093</u>
Executive administration:		
Salaries	191,751	197,395
Employee benefits	99,726	93,199
Purchased services	66,797	48,523
Supplies	1,644	774
Miscellaneous	4,376	6,349
	<u>364,294</u>	<u>346,240</u>
Total general administrative services	<u>636,209</u>	<u>537,333</u>
School administrative services:		
Office of the principal:		
Salaries	1,097,036	917,185
Employee benefits	550,667	470,623
Purchased services	43,080	240,639
Supplies	12,943	13,363
Miscellaneous	343	280
	<u>1,704,069</u>	<u>1,642,090</u>

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Other school administration:		
Purchased services	\$ 43,157	\$ 43,157
Total school administrative services	1,747,226	1,685,247
Business services:		
Fiscal services:		
Salaries	230,454	269,135
Employee benefits	133,057	147,822
Purchased services	5,632	4,366
Supplies	4,752	7,236
Miscellaneous	6,146	2,027
	380,041	430,586
Internal services:		
Salaries	37,249	43,844
Employee benefits	10,538	12,275
Purchased services	10,687	7,985
Supplies	47,686	47,802
	106,160	111,906
Other business services:		
Purchased services	97,459	98,394
Miscellaneous	93,332	64,941
	190,791	163,335
Total business services	676,992	705,827
Operation and maintenance services:		
Operation and maintenance:		
Salaries	313,213	798,116
Employee benefits	117,908	281,236
Purchased services	1,273,183	640,316
Supplies	701,627	782,210
Capital outlay	-	19,567
Miscellaneous	4,281	57
Total operation and maintenance services	2,410,212	2,521,502
Pupil transportation services:		
Pupil transportation:		
Salaries	697,346	738,879
Employee benefits	220,810	237,588
Purchased services	74,323	101,751
Supplies	297,266	235,918
Capital outlay	208,713	71,485
Miscellaneous	46	850
Payments to other districts	1,075,893	1,012,984
Total pupil transportation services	2,574,397	2,399,455

(Continued)

CEDAR SPRINGS PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Central services:		
Planning/research/development:		
Salaries	\$ 1,496	\$ 2,000
Employee benefits	363	508
Purchased services	24,425	30,949
Supplies	1,357	22,435
Miscellaneous	45,000	-
	<u>72,641</u>	<u>55,892</u>
Personnel services:		
Salaries	95,343	89,513
Employee benefits	61,143	61,229
Purchased services	39,694	39,773
Supplies	2,466	6,123
	<u>198,646</u>	<u>196,638</u>
Technology services:		
Salaries	238,106	261,827
Employee benefits	135,990	140,599
Purchased services	16,642	48,154
Supplies	183,123	119,588
Capital outlay	26,534	1,999
Miscellaneous	19,692	34,056
	<u>620,087</u>	<u>606,223</u>
Total central services	891,374	858,753
Community services:		
Salaries	800	-
Employee benefits	195	-
Total community services	<u>995</u>	<u>-</u>
Capital outlay:		
Site improvements	149,036	50,289
Buildings and additions	-	14,886
Total capital outlay	<u>149,036</u>	<u>65,175</u>
Debt service:		
Principal repayment	101,090	101,090
Interest and fiscal charges	11,805	2,876
Total debt service	<u>112,895</u>	<u>103,966</u>
Interdistrict:		
Other	4,905	24,364
Total interdistrict	<u>4,905</u>	<u>24,364</u>
Total Expenditures	<u><u>\$ 29,169,961</u></u>	<u><u>\$ 30,096,322</u></u>

NONMAJOR GOVERNMENTAL FUNDS

CEDAR SPRINGS PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue			
	Food Service	Athletics	Enrichment Child Care	Enrichment Preschool
Assets				
Cash	\$ 162	\$ -	\$ -	\$ -
Cash equivalents, deposits and investments	-	79,965	8	18,089
Receivables:				
Taxes	-	-	-	-
Due from other governmental units	11,265	-	-	-
Inventory	10,769	-	-	-
Total Assets	\$ 22,196	\$ 79,965	\$ 8	\$ 18,089
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 48,489	\$ 86	\$ 6	\$ -
Due to other funds	10,726	922	16,123	604
Due to other governmental units	108	-	-	1,038
Salaries payable	446	-	-	6,796
Deferred revenue	3,192	-	-	-
Total Liabilities	62,961	1,008	16,129	8,438
Fund Balances				
Reserved for debt service	-	-	-	-
Unreserved:				
Undesignated	(40,765)	78,957	(16,121)	9,651
Total Fund Balances	(40,765)	78,957	(16,121)	9,651
Total Liabilities and Fund Balances	\$ 22,196	\$ 79,965	\$ 8	\$ 18,089

School Store	Debt Service					Total
	1998	2003	2006	2007	2008	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162
29,017	491,956	152,020	16,910	18,056	4,076	810,097
-	2,404	6,855	712	376	-	10,347
-	736	-	-	-	-	12,001
-	-	-	-	-	-	10,769
<u>\$ 29,017</u>	<u>\$495,096</u>	<u>\$158,875</u>	<u>\$ 17,622</u>	<u>\$ 18,432</u>	<u>\$ 4,076</u>	<u>\$ 843,376</u>
\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,600
-	-	-	-	-	-	28,375
-	-	-	-	-	-	1,146
-	-	-	-	-	-	7,242
-	2,404	6,855	712	376	-	13,539
<u>19</u>	<u>2,404</u>	<u>6,855</u>	<u>712</u>	<u>376</u>	<u>-</u>	<u>98,902</u>
-	492,692	152,020	16,910	18,056	4,076	683,754
28,998	-	-	-	-	-	60,720
<u>28,998</u>	<u>492,692</u>	<u>152,020</u>	<u>16,910</u>	<u>18,056</u>	<u>4,076</u>	<u>744,474</u>
<u>\$ 29,017</u>	<u>\$495,096</u>	<u>\$158,875</u>	<u>\$ 17,622</u>	<u>\$ 18,432</u>	<u>\$ 4,076</u>	<u>\$ 843,376</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue			
	Food Service	Athletics	Enrichment Child Care	Enrichment Preschool
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest earnings	2,625	141	77	38
Sales and admissions	528,943	173,443	-	-
Other local sources	-	-	167,583	109,123
Total local sources	531,568	173,584	167,660	109,161
State sources	80,495	-	1,366	-
Federal sources	566,060	-	-	-
Total Revenues	1,178,123	173,584	169,026	109,161
Expenditures				
Current:				
Community services	-	-	168,702	101,243
Food service	1,225,783	-	-	-
Athletics	-	490,166	-	-
School store	-	-	-	-
Debt service:				
Principal repayment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Underwriter's discount	-	-	-	-
Total Expenditures	1,225,783	490,166	168,702	101,243
Excess (Deficiency) of Revenues Over Expenditures	(47,660)	(316,582)	324	7,918
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	367,600	-	-
Payment to escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	-	367,600	-	-
Net Change in Fund Balances	(47,660)	51,018	324	7,918
Fund Balances, July 1	6,895	27,939	(16,445)	1,733
Fund Balances, June 30	\$ (40,765)	\$ 78,957	\$ (16,121)	\$ 9,651

School Store	Debt Service					Total
	1998	2003	2006	2007	2008	
\$ -	\$ 896,641	\$2,225,279	\$ 273,073	\$ 298,166	\$ -	\$3,693,159
-	12,063	33,111	2,320	-	-	50,375
15,553	-	-	-	-	-	717,939
-	-	-	-	-	4,637	281,343
15,553	908,704	2,258,390	275,393	298,166	4,637	4,742,816
-	-	-	-	-	-	81,861
-	-	-	-	-	-	566,060
15,553	908,704	2,258,390	275,393	298,166	4,637	5,390,737
-	-	-	-	-	-	269,945
-	-	-	-	-	-	1,225,783
-	-	-	-	-	-	490,166
2,516	-	-	-	-	-	2,516
-	95,000	1,790,000	-	-	-	1,885,000
-	469,143	768,936	314,835	341,723	561	1,895,198
-	182,495	-	-	-	-	182,495
-	66,640	-	-	-	-	66,640
2,516	813,278	2,558,936	314,835	341,723	561	6,017,743
13,037	95,426	(300,546)	(39,442)	(43,557)	4,076	(627,006)
-	19,040,000	-	-	-	-	19,040,000
-	464,760	-	-	-	-	464,760
-	-	390,634	38,875	61,613	-	491,122
-	-	-	-	-	-	367,600
-	(19,255,625)	-	-	-	-	(19,255,625)
-	249,135	390,634	38,875	61,613	-	1,107,857
13,037	344,561	90,088	(567)	18,056	4,076	480,851
15,961	148,131	61,932	17,477	-	-	263,623
<u>\$ 28,998</u>	<u>\$ 492,692</u>	<u>\$ 152,020</u>	<u>\$ 16,910</u>	<u>\$ 18,056</u>	<u>\$ 4,076</u>	<u>\$ 744,474</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 2,625	\$ 2,625	\$ -
Sales and admissions	524,373	528,943	4,570
Total local sources	526,998	531,568	4,570
State sources	81,470	80,495	(975)
Federal sources	497,931	566,060	68,129
Total Revenues	<u>1,106,399</u>	<u>1,178,123</u>	<u>71,724</u>
Expenditures			
Current:			
Food service	1,175,825	1,225,783	(49,958)
Net Change in Fund Balances	(69,426)	(47,660)	21,766
Fund Balances, July 1	<u>6,895</u>	<u>6,895</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ (62,531)</u></u>	<u><u>\$ (40,765)</u></u>	<u><u>\$ 21,766</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 141	\$ 141	\$ -
Sales and admissions	178,242	173,443	(4,799)
Total Revenues	<u>178,383</u>	<u>173,584</u>	<u>(4,799)</u>
Expenditures			
Current:			
Athletics	506,570	490,166	16,404
Excess (Deficiency) of Revenues Over Expenditures	<u>(328,187)</u>	<u>(316,582)</u>	<u>11,605</u>
Other Financing Sources			
Transfers in	367,000	367,600	600
Net Change in Fund Balances	38,813	51,018	11,005
Fund Balances, July 1	<u>27,939</u>	<u>27,939</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 66,752</u></u>	<u><u>\$ 78,957</u></u>	<u><u>\$ 12,205</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 77	\$ 77	\$ -
Other local sources	199,451	167,583	(31,868)
Total local sources	<u>199,528</u>	<u>167,660</u>	<u>(31,868)</u>
State sources	<u>1,366</u>	<u>1,366</u>	<u>-</u>
Total Revenues	<u>200,894</u>	<u>169,026</u>	<u>(31,868)</u>
Expenditures			
Current:			
Community services	<u>153,035</u>	<u>168,702</u>	<u>(15,667)</u>
Net Change in Fund Balances	47,859	324	(47,535)
Fund Balances, July 1	<u>(16,445)</u>	<u>(16,445)</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 31,414</u></u>	<u><u>\$ (16,121)</u></u>	<u><u>\$ (47,535)</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues			
Local sources:			
Interest earnings	\$ 38	\$ 38	\$ -
Other local sources	<u>109,169</u>	<u>109,123</u>	<u>(46)</u>
Total Revenues	<u>109,207</u>	<u>109,161</u>	<u>(46)</u>
Expenditures			
Current:			
Community services	<u>93,602</u>	<u>101,243</u>	<u>(7,641)</u>
Net Change in Fund Balances	15,605	7,918	(7,687)
Fund Balances, July 1	<u>1,733</u>	<u>1,733</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 17,338</u></u>	<u><u>\$ 9,651</u></u>	<u><u>\$ (7,687)</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

Enrichment Child Care—to account for tuition revenues used in administering the child care program of the District.

Enrichment Preschool—to account for tuition revenues used in administering the preschool program of the District.

School Store—to account for sales and donation revenues used in administering the school store program of the District.

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 162	\$ 847
Cash equivalents, deposits and investments	-	24,926
Accounts receivable	-	50,000
Due from other funds	-	94,177
Due from other governmental units	11,265	-
Inventory	<u>10,769</u>	<u>9,210</u>
Total Assets	<u><u>\$ 22,196</u></u>	<u><u>\$ 179,160</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 48,489	\$ 79,722
Due to other funds	10,726	86,427
Due to other governmental units	108	-
Salaries payable	446	-
Deferred revenue	<u>3,192</u>	<u>6,116</u>
Total Liabilities	<u>62,961</u>	<u>172,265</u>
Fund Balances		
Unreserved:		
Undesignated	<u>(40,765)</u>	<u>6,895</u>
Total Liabilities and Fund Balances	<u><u>\$ 22,196</u></u>	<u><u>\$ 179,160</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 319,850	\$ 470,227
Adult lunches	20,458	-
Ala carte	147,677	15,804
Catering	37,259	30,973
Refunds	2,918	2,724
Other	781	-
	528,943	519,728
Interest earnings:		
Interest on deposits and investments	2,625	625
Total local sources	531,568	520,353
State sources	80,495	79,665
Federal sources	566,060	498,331
Total Revenues	1,178,123	1,098,349
Expenditures		
Current:		
Food service:		
Salaries	331,897	331,283
Employee benefits	157,745	150,803
Purchased services	133,138	129,512
Supplies	545,969	491,269
Capital outlay	-	35,203
Miscellaneous	7,034	1,411
Indirect cost allocation	50,000	50,000
Total Expenditures	1,225,783	1,189,481
Net Change in Fund Balances	(47,660)	(91,132)
Fund Balances, July 1	6,895	98,027
Fund Balances, June 30	\$ (40,765)	\$ 6,895

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 79,965	\$ 12,648
Due from other funds	<u>-</u>	<u>38,260</u>
Total Assets	<u><u>\$ 79,965</u></u>	<u><u>\$ 50,908</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 86	\$ 18,117
Due to other funds	<u>922</u>	<u>4,852</u>
Total Liabilities	<u>1,008</u>	<u>22,969</u>
Fund Balances		
Unreserved:		
Undesignated	<u>78,957</u>	<u>27,939</u>
Total Liabilities and Fund Balances	<u><u>\$ 79,965</u></u>	<u><u>\$ 50,908</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Sales and admissions:		
Admissions	\$ 84,502	\$ 81,271
Athletic fees	60,714	57,455
Tournaments	27,066	28,017
Miscellaneous	1,161	-
	<u>173,443</u>	<u>166,743</u>
Interest earnings:		
Interest on deposits and investments	<u>141</u>	<u>35</u>
Total Revenues	<u>173,584</u>	<u>166,778</u>
Expenditures		
Current:		
Athletics:		
Salaries	311,718	378,195
Employee benefits	77,525	115,690
Purchased services	34,250	50,304
Supplies	26,952	21,348
Capital outlay	6,983	18,068
Miscellaneous	32,738	39,742
	<u>490,166</u>	<u>623,347</u>
Total Expenditures	<u>490,166</u>	<u>623,347</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(316,582)</u>	<u>(456,569)</u>
Other Financing Sources		
Transfers in	<u>367,600</u>	<u>367,600</u>
Net Change in Fund Balances	51,018	(88,969)
Fund Balances, July 1	<u>27,939</u>	<u>116,908</u>
Fund Balances, June 30	<u><u>\$ 78,957</u></u>	<u><u>\$ 27,939</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 8</u>	<u>\$ 13,134</u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6	\$ -
Due to other funds	<u>16,123</u>	<u>29,579</u>
Total Liabilities	<u>16,129</u>	<u>29,579</u>
 Fund Balances		
Unreserved:		
Undesignated	<u>(16,121)</u>	<u>(16,445)</u>
Total Liabilities and Fund Balances	<u>\$ 8</u>	<u>\$ 13,134</u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Child Care Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Other local sources:		
Child care fees	\$ 167,157	\$ 180,695
Refunds of prior years expenditures	83	3,322
Miscellaneous	343	-
Interest earnings:		
Interest on deposits and investments	77	61
Total local sources	<u>167,660</u>	<u>184,078</u>
State sources:		
Other	<u>1,366</u>	<u>715</u>
Total Revenues	<u>169,026</u>	<u>184,793</u>
Expenditures		
Current:		
Community services:		
Child care:		
Salaries	83,714	131,815
Employee benefits	27,791	41,500
Purchased services	619	1,409
Supplies	2,901	4,617
Capital outlay	180	670
Miscellaneous	23,497	7,914
Indirect cost allocation	30,000	18,800
Total Expenditures	<u>168,702</u>	<u>206,725</u>
Net Change in Fund Balances	324	(21,932)
Fund Balances, July 1	<u>(16,445)</u>	<u>5,487</u>
Fund Balances, June 30	<u><u>\$ (16,121)</u></u>	<u><u>\$ (16,445)</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 18,089	\$ 15,328
Due from other funds	<u>-</u>	<u>1,473</u>
Total Assets	<u><u>\$ 18,089</u></u>	<u><u>\$ 16,801</u></u>
 Liabilities and Fund Balances		
Liabilities		
Due to other funds	\$ 604	\$ 8,386
Due to other governmental funds	1,038	1,353
Salaries payable	<u>6,796</u>	<u>5,329</u>
Total Liabilities	<u>8,438</u>	<u>15,068</u>
Fund Balances		
Unreserved:		
Undesignated	<u>9,651</u>	<u>1,733</u>
Total Liabilities and Fund Balances	<u><u>\$ 18,089</u></u>	<u><u>\$ 16,801</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
Enrichment Preschool Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Other local revenue:		
Preschool fees	\$ 109,123	\$ 74,521
Interest earnings:		
Interest on deposits and investments	<u>38</u>	<u>50</u>
Total Revenues	<u>109,161</u>	<u>74,571</u>
Expenditures		
Current:		
Community services:		
Preschool:		
Salaries	78,677	66,648
Employee benefits	19,069	16,214
Purchased services	400	1,241
Supplies	1,449	1,083
Miscellaneous	1,648	803
Indirect cost allocation	<u>-</u>	<u>7,626</u>
Total Expenditures	<u>101,243</u>	<u>93,615</u>
Net Change in Fund Balances	7,918	(19,044)
Fund Balances, July 1	<u>1,733</u>	<u>20,777</u>
Fund Balances, June 30	<u><u>\$ 9,651</u></u>	<u><u>\$ 1,733</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
School Store Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 29,017	\$ 13,733
Due from other funds	-	500
Due from other governmental units	<u>-</u>	<u>1,772</u>
Total Assets	<u><u>\$ 29,017</u></u>	<u><u>\$ 16,005</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 19</u>	<u>\$ 44</u>
Fund Balances		
Unreserved:		
Undesignated	<u>28,998</u>	<u>15,961</u>
Total Liabilities and Fund Balances	<u><u>\$ 29,017</u></u>	<u><u>\$ 16,005</u></u>

CEDAR SPRINGS PUBLIC SCHOOLS
School Store Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Sales and admissions:		
Fund raising	\$ 15,553	\$ 17,579
Other local revenue:		
Donations	-	829
	<u>15,553</u>	<u>18,408</u>
Total Revenues		
Expenditures		
Current:		
School store:		
Purchased services	-	336
Supplies	906	3,590
Miscellaneous	1,610	1,924
	<u>2,516</u>	<u>5,850</u>
Total Expenditures		
	13,037	12,558
Net Change in Fund Balances		
Fund Balances, July 1	<u>15,961</u>	<u>3,403</u>
Fund Balances, June 30	<u><u>\$ 28,998</u></u>	<u><u>\$ 15,961</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

CEDAR SPRINGS PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>1998</u>	<u>2003</u>	<u>2006</u>	<u>2007</u>
Assets				
Cash equivalents, deposits and investments	\$ 491,956	\$ 152,020	\$ 16,910	\$ 18,056
Taxes receivable	2,404	6,855	712	376
Due from other funds	-	-	-	-
Due from other governmental units	736	-	-	-
Total Assets	<u><u>\$ 495,096</u></u>	<u><u>\$ 158,875</u></u>	<u><u>\$ 17,622</u></u>	<u><u>\$ 18,432</u></u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	2,404	6,855	712	376
Total Liabilities	<u>2,404</u>	<u>6,855</u>	<u>712</u>	<u>376</u>
Fund Balances				
Reserved for debt service	<u>492,692</u>	<u>152,020</u>	<u>16,910</u>	<u>18,056</u>
Total Liabilities and Fund Balances	<u><u>\$ 495,096</u></u>	<u><u>\$ 158,875</u></u>	<u><u>\$ 17,622</u></u>	<u><u>\$ 18,432</u></u>

2008	Totals	
	2008	2007
\$ 4,076	\$ 683,018	\$ 12,392
-	10,347	8,927
-	-	314,268
-	736	736
<hr/>		
\$ 4,076	\$ 694,101	\$ 336,323
<hr/>		
\$ -	\$ -	\$ 99,856
-	10,347	8,927
<hr/>		
-	10,347	108,783
<hr/>		
4,076	683,754	227,540
<hr/>		
\$ 4,076	\$ 694,101	\$ 336,323
<hr/>		

CEDAR SPRINGS PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	1998	2003	2006	2007
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 881,324	\$ 2,187,155	\$ 268,383	\$ 290,144
Industrial facilities taxes	10,052	24,954	3,075	3,312
Delinquent property taxes	102	279	35	-
Other taxes	1,165	2,954	361	347
Interest on delinquent taxes	3,998	9,937	1,219	4,363
	896,641	2,225,279	273,073	298,166
Interest earnings:				
Interest on deposits and investments	12,063	33,111	2,320	-
Other local sources				
Miscellaneous	-	-	-	-
Total Revenues	908,704	2,258,390	275,393	298,166
Expenditures				
Debt service:				
Principal repayment	95,000	1,790,000	-	-
Interest and fiscal charges:				
Interest expense	468,701	768,058	314,454	341,007
Paying agent fees	300	-	290	716
Tax refunds	140	878	91	-
Miscellaneous	2	-	-	-
Bond issuance costs	182,495	-	-	-
Underwriter's discount	66,640	-	-	-
Total Expenditures	813,278	2,558,936	314,835	341,723
Excess (Deficiency) of Revenues Over Expenditures	95,426	(300,546)	(39,442)	(43,557)
Other Financing Sources (Uses)				
Refunding bonds issued	19,040,000	-	-	-
Bond premium	464,760	-	-	-
Loan proceeds	-	390,634	38,875	61,613
Payments to escrow agent	(19,255,625)	-	-	-
Total Other Financing Sources (Uses)	249,135	390,634	38,875	61,613
Net Change in Fund Balances	344,561	90,088	(567)	18,056
Fund Balances, July 1	148,131	61,932	17,477	-
Fund Balances, June 30	\$ 492,692	\$ 152,020	\$ 16,910	\$ 18,056

			Totals	
2008	2008	2007		
\$ -	\$ 3,627,006	\$ 3,440,328		
-	41,393	39,608		
-	416	1,147		
-	4,827	-		
-	19,517	15,767		
-	3,693,159	3,496,850		
-	47,494	5,731		
4,637	4,637	1,739		
4,637	3,745,290	3,504,320		
-	1,885,000	1,865,000		
-	1,892,220	2,274,970		
561	1,867	1,370		
-	1,109	158		
-	2	598		
-	182,495	82,380		
-	66,640	83,445		
561	4,029,333	4,307,921		
4,076	(284,043)	(803,601)		
-	19,040,000	7,500,000		
-	464,760	-		
-	491,122	818,790		
-	(19,255,625)	(7,511,175)		
-	740,257	807,615		
4,076	456,214	4,014		
-	227,540	223,526		
\$ 4,076	\$ 683,754	\$ 227,540		

CAPITAL PROJECTS FUND

2003 Construction—to account for bond proceeds used to finance building construction and improvement projects.

CEDAR SPRINGS PUBLIC SCHOOLS
2003 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 118,713</u>	<u>\$ 199,749</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 4,622
Due to other funds	<u>-</u>	<u>326</u>
Total Liabilities	<u>-</u>	<u>4,948</u>
Fund Balances		
Reserved for capital outlay	<u>118,713</u>	<u>194,801</u>
Total Liabilities and Fund Balances	<u>\$ 118,713</u>	<u>\$ 199,749</u>

CEDAR SPRINGS PUBLIC SCHOOLS
2003 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 10,656	\$ 22,138
Expenditures		
Capital outlay:		
Construction manager fees	-	211
Other professional services	242	166
Buildings and additions	68,082	276,000
New equipment and furniture	18,420	50,619
Total Expenditures	<u>86,744</u>	<u>326,996</u>
Net Change in Fund Balances	(76,088)	(304,858)
Fund Balances, July 1	<u>194,801</u>	<u>499,659</u>
Fund Balances, June 30	<u><u>\$ 118,713</u></u>	<u><u>\$ 194,801</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

CEDAR SPRINGS PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	<u>Balances</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Assets				
Cash equivalents, deposits and investments	\$ 162,452	\$ 383,774	\$ 386,426	\$ 159,800
Due from other funds	<u>500</u>	<u>927</u>	<u>500</u>	<u>927</u>
Total Assets	<u><u>\$ 162,952</u></u>	<u><u>\$ 384,701</u></u>	<u><u>\$ 386,926</u></u>	<u><u>\$ 160,727</u></u>
Liabilities				
Due to other funds	\$ 108	\$ -	\$ 108	\$ -
Due to student groups	<u>162,844</u>	<u>393,513</u>	<u>395,630</u>	<u>160,727</u>
Total Liabilities	<u><u>\$ 162,952</u></u>	<u><u>\$ 393,513</u></u>	<u><u>\$ 395,738</u></u>	<u><u>\$ 160,727</u></u>

OTHER INFORMATION

CEDAR SPRINGS PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	County of Kent			
	City of Cedar Springs	Algoma	Courtland	Nelson
Taxable Valuations				
Operating	\$ 39,898,305	\$ 13,725,889	\$ 11,771,777	\$ 10,737,735
Debt Service	73,779,776	69,885,020	78,876,437	96,544,377
Rates (Mills)				
General Fund				
1998 Debt Service Fund				
2003 Debt Service Fund				
2006 Debt Service Fund				
2007 Debt Service Fund				
Taxes Levied 2007 Rolls				
General Fund	\$ 688,148	\$ 248,836	\$ 211,743	\$ 193,142
1998 Debt Service Fund	125,425	118,804	134,089	164,124
2003 Debt Service Fund	311,349	294,913	332,856	407,414
2006 Debt Service Fund	38,365	36,340	41,015	50,203
2007 Debt Service Fund	41,316	39,135	44,171	54,064
	<u>1,204,603</u>	<u>738,028</u>	<u>763,874</u>	<u>868,947</u>
Taxes Uncollected 2007 Rolls				
General Fund	1,331	785	90	-
1998 Debt Service Fund	125	74	8	-
2003 Debt Service Fund	312	185	21	-
2006 Debt Service Fund	39	23	3	-
2007 Debt Service Fund	41	24	3	-
	<u>1,848</u>	<u>1,091</u>	<u>125</u>	<u>-</u>
Taxes Collected 2007 Rolls				
General Fund	686,817	248,051	211,653	193,142
1998 Debt Service Fund	125,300	118,730	134,081	164,124
2003 Debt Service Fund	311,037	294,728	332,835	407,414
2006 Debt Service Fund	38,326	36,317	41,012	50,203
2007 Debt Service Fund	41,275	39,111	44,168	54,064
	<u>1,202,755</u>	<u>736,937</u>	<u>763,749</u>	<u>868,947</u>
Delinquent Taxes Collected				
General Fund	492	-	-	-
1998 Debt Service Fund	102	-	-	-
2003 Debt Service Fund	279	-	-	-
2006 Debt Service Fund	35	-	-	-
	<u>908</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

			County of Newaygo		
Townships					
Oakfield	Solon	Spencer	Ensley	Total	
\$ 4,986,825	\$ 25,273,667	\$ 10,163,410	\$ 163,450	\$116,721,058	
33,032,733	119,462,120	45,910,817	1,316,974	518,808,254	
					17.8974
					1.7000
					4.2200
					0.5200
					0.5600
					24.8974
\$ 89,699	\$ 454,605	\$ 182,811	\$ 2,940	\$ 2,071,924	
56,155	203,084	78,047	2,239	881,967	
139,397	504,126	193,741	5,559	2,189,355	
17,177	62,120	23,873	685	269,778	
18,498	66,898	25,710	738	290,530	
320,926	1,290,833	504,182	12,161	5,703,554	
1,933	7,346	-	-	11,485	
183	752	-	-	1,142	
453	1,867	-	-	2,838	
56	230	-	-	351	
60	248	-	-	376	
2,685	10,443	-	-	16,192	
87,766	447,259	182,811	2,940	2,060,439	
55,972	202,332	78,047	2,239	880,825	
138,944	502,259	193,741	5,559	2,186,517	
17,121	61,890	23,873	685	269,427	
18,438	66,650	25,710	738	290,154	
318,241	1,280,390	504,182	12,161	5,687,362	
-	-	-	-	492	
-	-	-	-	102	
-	-	-	-	279	
-	-	-	-	35	
-	-	-	-	908	

CEDAR SPRINGS PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	County of Kent			
	City of Cedar Springs	Algoma	Courtland	Nelson
Total Taxes Collected				
General Fund	\$ 687,309	\$ 248,051	\$ 211,653	\$ 193,142
1998 Debt Service Fund	125,402	118,730	134,081	164,124
2003 Debt Service Fund	311,072	294,728	332,835	407,414
2006 Debt Service Fund	38,361	36,317	41,012	50,203
2007 Debt Service Fund	41,275	39,111	44,168	54,064
	<u>\$ 1,203,419</u>	<u>\$ 736,937</u>	<u>\$ 763,749</u>	<u>\$ 868,947</u>
Taxes Uncollected – June 30, 2008				
General Fund:				
2007	\$ 1,331	\$ 785	\$ 90	\$ -
2006	1,315	-	194	-
2005	849	-	-	-
	<u>3,495</u>	<u>785</u>	<u>284</u>	<u>-</u>
1998 Debt Service Fund:				
2007	125	74	8	-
2006	48	-	17	-
2005	98	-	-	-
	<u>271</u>	<u>74</u>	<u>25</u>	<u>-</u>
2003 Debt Service Fund:				
2007	312	185	21	-
2006	212	-	54	-
2005	173	-	-	-
	<u>697</u>	<u>185</u>	<u>75</u>	<u>-</u>
2006 Debt Service Fund:				
2007	39	23	3	-
2006	22	-	7	-
	<u>61</u>	<u>23</u>	<u>10</u>	<u>-</u>
2007 Debt Service Fund:				
2007	41	24	3	-
	<u>41</u>	<u>24</u>	<u>3</u>	<u>-</u>
Total Taxes Uncollected	<u>\$ 4,565</u>	<u>\$ 1,091</u>	<u>\$ 397</u>	<u>\$ -</u>

			County of Newaygo	
Townships				
Oakfield	Solon	Spencer	Ensley	Total
\$ 87,766	\$ 447,259	\$ 182,811	\$ 2,940	\$ 2,060,931
55,972	202,332	78,047	2,239	880,927
138,944	502,259	193,741	5,559	2,186,552
17,121	61,890	23,873	685	269,462
18,438	66,650	25,710	738	290,154
<u>\$ 318,241</u>	<u>\$ 1,280,390</u>	<u>\$ 504,182</u>	<u>\$ 12,161</u>	<u>\$ 5,688,026</u>
\$ 1,933	\$ 7,346	\$ -	\$ -	\$ 11,485
1	9,336	151	-	10,997
-	1,988	126	-	2,963
<u>1,934</u>	<u>18,670</u>	<u>277</u>	<u>-</u>	<u>25,445</u>
183	752	-	-	1,142
-	811	13	-	889
-	223	52	-	373
<u>183</u>	<u>1,786</u>	<u>65</u>	<u>-</u>	<u>2,404</u>
453	1,867	-	-	2,838
-	2,707	41	-	3,014
-	674	156	-	1,003
<u>453</u>	<u>5,248</u>	<u>197</u>	<u>-</u>	<u>6,855</u>
56	230	-	-	351
-	327	5	-	361
<u>56</u>	<u>557</u>	<u>5</u>	<u>-</u>	<u>712</u>
60	248	-	-	376
<u>\$ 2,686</u>	<u>\$ 26,509</u>	<u>\$ 544</u>	<u>\$ -</u>	<u>\$ 35,792</u>

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

November 3, 2008

The Board of Education
Cedar Springs Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Cedar Springs Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cedar Springs Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in performing and completing our audit for the year ended June 30, 2008.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit for the year ended June 30, 2008.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated November 3, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by District management.

District-wide Financial Statements

1. \$456,336 to record accrued interest payable at June 30, 2008.
2. \$1,383,227 to record 2007-08 amortizable bond issuance costs.
3. \$867,523 to record 2007-08 net expenses recognized for early retirement incentive and accumulated employee sick and vacation leave.
4. \$439,293 to record capitalization of capital assets purchased in 2007-08.
5. \$1,808,909 to record 2007-08 depreciation expense on capital assets.

General Fund

1. \$49,093 to adjust deferred revenue for MSRP programs.
2. \$26,425 to adjust SPSR and IDEA federal programs revenue for amounts due at June 30, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit, we found no significant deficiencies or material weaknesses during the audit so no SAS 112 letter is required.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation, evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures based on these new auditing standards are detailed in Appendix A, attached to this letter.

Other Comments

The District General Fund balance increased by \$582,543 to \$3,212,544 at June 30, 2008. This balance represents approximately 10.6% of the District's 2008-09 expenditure budget (up from 8.4% at June 30, 2007). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Cedar Springs Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Closing

This communication is intended solely for the information and use of the Cedar Springs Public Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
CEDAR SPRINGS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Cedar Springs Public Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
 - **The District should continue to complete a documented system for all District accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.**
- Segregation of duties
- Independent monitoring of accounting functions
 - **Independent monitoring of the District's many accounting functions is an important facet of any internal control system. We recommend that the District expand and improve it's procedures for independent review and monitoring of accounting functions – especially in the areas of cash receipting, bank reconciliations, cash disbursements, balance sheet accounts for all District funds and adjusting journal entries as a means to achieving the monitoring/review procedures required for strong internal controls.**

BUDGETS

- Budget adoptions, amendments for all required funds
 - **The General Fund budget (for both revenues and expenditures) must be closely monitored near year-end to anticipate changes from original expectations and amend function level balances to avoid significant variances between final actual and budgeted results.**
- Budget accounting principles consistent with actual transactions
 - **The Food Service Fund budget should reflect USDA entitlement and bonus commodities used as federal revenues and food expenditures to match actual transactions recorded in the financial statements.**
- Documented authorization for all budget amendments

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
CEDAR SPRINGS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

CASH

- Cash collection/receipting procedures
 - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities, community enrichment, driver education, preschool/childcare, community pool). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Business Manager and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
CEDAR SPRINGS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs
- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
CEDAR SPRINGS PUBLIC SCHOOLS
For the Year Ended June 30, 2008

- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The district should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

STUDENT ACTIVITY ACCOUNTS

- **The Student Activity Fund should be used only for "student activities": those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.**

**CEDAR SPRINGS
PUBLIC SCHOOLS**
Kent and Newaygo Counties, Michigan

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2008

TABLE OF CONTENTS

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2008

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	12
Notes to Schedule of Expenditures of Federal Awards	14

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

November 3, 2008

The Board of Education
Cedar Springs Public Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Springs Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Cedar Springs Public School's basic financial statements and have issued our report thereon dated November 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cedar Springs Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cedar Springs Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cedar Springs Public School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Education
Cedar Springs Public Schools
November 3, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cedar Springs Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Cedar Springs Public Schools in a separate letter dated November 3, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldine, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

November 3, 2008

The Board of Education
Cedar Springs Public Schools
Kent County, Michigan

Compliance

We have audited the compliance of Cedar Springs Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Cedar Springs Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cedar Springs Public School's management. Our responsibility is to express an opinion on Cedar Springs Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cedar Springs Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cedar Springs Public School's compliance with those requirements.

In our opinion, Cedar Springs Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Cedar Springs Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cedar Springs Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cedar Springs Public School's control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cedar Springs Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 3, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Cedar Springs Public School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldine, Nichols & Carter, P.C.

Certified Public Accountants

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
061530 0607		\$ 22,578
071530 0607		323,933
081530 0708		426,623
Total Title I		773,134
Title IIA:	84.367	
070520 0607		130,351
080520 0708		133,462
Total Title IIA		263,813
Title IID:	84.318	
064290 0607		400
074290 0607		3,306
084290 0708		4,124
Total Title IID		7,830
Title III:	84.365A	
060580 0607		367
070580 0607		2,344
Pass through to Subrecipient		23,148
Total Title III		25,859
Title V:	84.298	
070250 0607		709
080250 0708		1,418
Total Title V		2,127
Service Provider Self Review:	84.027	
080440 0708		5,000
Total Passed Through MDE		1,077,763

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 77,578	\$ 77,578	\$ —	\$ 77,578	\$ —
85,804	286,188	—	85,804	—
—	—	378,387	324,660	53,727
163,382	363,766	378,387	488,042	53,727
41,451	130,351	—	41,451	—
—	—	118,846	118,364	482
41,451	130,351	118,846	159,815	482
400	400	—	400	—
2,577	2,837	—	2,577	—
—	—	4,124	4,124	—
2,977	3,237	4,124	7,101	—
367	367	—	367	—
2,344	2,344	—	2,344	—
20,804	20,804	—	20,804	—
23,515	23,515	—	23,515	—
422	422	(422)	—	—
—	—	1,418	1,418	—
422	422	996	1,418	—
—	—	3,288	5,000	(1,712)
231,747	521,291	505,641	684,891	52,497

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**CEDAR SPRINGS PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kenowa Hills Public Schools: Title III: 080580 0708	84.365	\$ 4,473
Passed through Kent Intermediate School District (KISD): Safe and Drug Free Schools and Communities Act: 072860 0607 Program 082860 0708 Program	84.186A	7,974 8,515
Total Safe and Drug Free Schools and Communities Act		16,489
Special Education Cluster: I.D.E.A. – Flow Through: Flow Through – 070450 0607 Flow Through – 080450 0708	84.027	652,777 648,005
Total I.D.E.A. – Flow Through		1,300,782
I.D.E.A. – Preschool: Preschool – 070460 0607 Preschool – 080460 0708	84.173	28,266 30,956
Total I.D.E.A. – Preschool		59,222
Total Special Education Cluster		1,360,004
Total Passed Through KISD		1,376,493
Total U.S. Department of Education		2,458,729
U.S. Department of Health and Human Services Passed through Kent Intermediate School District (KISD): School Based Medicaid: 0607 Program 0708 Program	93.778	4,636 6,691
Total U.S. Department of Health And Human Services		11,327

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 4,473	\$ 1,424	\$ 3,049
(625)	7,349	625	—	—
—	—	7,890	8,515	(625)
(625)	7,349	8,515	8,515	(625)
229,465	640,760	—	229,465	—
—	—	624,354	405,403	218,951
229,465	640,760	624,354	634,868	218,951
7,090	28,266	—	7,090	—
—	—	30,649	19,101	11,548
7,090	28,266	30,649	26,191	11,548
236,555	669,026	655,003	661,059	230,499
235,930	676,375	663,518	669,574	229,874
467,677	1,197,666	1,173,632	1,355,889	285,420
4,636	4,636	—	4,636	—
—	—	6,691	—	6,691
4,636	4,636	6,691	4,636	6,691

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**CEDAR SPRINGS PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Lunches:	10.555	
Section 4 – Total Servings – 1950		\$ 39,771
Section 11 – Free and Reduced – 1960		344,069
Total Lunches		383,840
Breakfast:	10.553	
Total Servings – 1970		6,002
Free and Reduced – 1970		91,078
Total Breakfast		97,080
Summer Food Service Program:	10.559	
Servings – 070900, 071900 0607		9,125
Servings – 070900, 071900 0708		21,573
Total Summer Food Service Program		30,698
Total Nutrition Cluster		511,618
U.S.D.A. Commodities:		
Bonus Commodities	10.550	4,584
Entitlement Commodities		52,867
Total U.S.D.A. Commodities		57,451
Total U.S. Department of Agriculture (Passed Through MDE)		569,069
Total Federal Financial Assistance		\$ 3,039,125

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 39,771	\$ 39,771	\$ —
—	—	344,069	344,069	—
—	—	383,840	383,840	—
—	—	6,002	6,002	—
—	—	91,078	91,078	—
—	—	97,080	97,080	—
(6,116)	3,009	6,116	—	—
—	—	21,573	17,011	4,562
(6,116)	3,009	27,689	17,011	4,562
(6,116)	3,009	508,609	497,931	4,562
—	—	4,584	4,584	—
—	—	52,867	52,867	—
—	—	57,451	57,451	—
(6,116)	3,009	566,060	555,382	4,562
\$ 466,197	\$1,205,311	\$1,746,383	\$ 1,915,907	\$ 296,673

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor’s Results (Continued)

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 Yes X No

Section II – Financial Statement Findings

Current Year Findings

There were no findings that are required to be reported under *Governmental Auditing Standards*.

Prior Year Findings

Significant deficiencies (Items 2007-1 and 2007-2) in internal control over financial reporting:

2007-1 Inadequate design and documentation of the District's internal control system.

Corrective action taken and finding has been cleared.

2007-2 Inadequate segregation of duties in the District business office, which leads to a lack of independent monitoring of the accounting functions of District accounting and payroll personnel and of financial transactions occurring outside the business office (athletics, food service, student activities, childcare, etc.)

Corrective action taken and finding has been cleared.

Significant deficiency (Item 2007-3) in internal control over financial reporting considered to be a material weakness:

District officials or employees who lack the knowledge and training to fulfill certain responsibilities:

2007-3 The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting standards in recording the District's financial transactions or preparing its financial statements (including Management's Discussion and Analysis and Notes to Basic Financial Statements) in compliance with current GAAP and GASB requirements.

Corrective action taken and finding has been cleared.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CEDAR SPRINGS PUBLIC SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note C – The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 378,387	\$ 378,387	\$ —
Title IIA	118,846	118,846	—
Title IID	4,124	4,124	—
Title III	4,473	4,473	—
Title V	996	996	—
Service Provider Self Review	3,288	3,288	—
Safe and Drug Free Schools and Communities Act	8,515	8,515	—
Special Education Cluster	655,003	655,003	—
School Based Medicaid	6,691	6,691	—
Nutrition Cluster	508,609	508,609	—
U.S.D.A. Commodities	57,451	57,451	—
	<u>\$ 1,746,383</u>	<u>\$ 1,746,383</u>	<u>\$ —</u>